



31 August 2010

To: Her Majesty the Queen in right of New Zealand acting by and through John Whitehead, Secretary to the Treasury, for and on behalf of the Minister of Finance

Attention: John Park

From: Trustees Executors Limited
Level 5, Customhouse Quay
Wellington

Attention:

Dear Sirs

CROWN DEEDS OF GUARANTEE – PAYMENT AND DEPOSIT TERMS

1. Defined terms

In this document, terms defined in the Trust Deed and not otherwise defined in this document have the meaning ascribed to them in the Trust Deed:

Business Day means a weekday on which registered banks are open for general banking business in Wellington;

Company means South Canterbury Finance Limited (in receivership);

Crown means Her Majesty the Queen in right of New Zealand;

Crown Guarantee means each of:

- (a) the deed of guarantee dated 19 November 2008;
- (b) the deed of guarantee dated 11 December 2009; and
- (c) the deed of guarantee dated 1 April 2010,

in each case between the Crown and South Canterbury Finance Limited and **Crown Guarantees** means all of them;

Crown Settlement Account means the account entitled "Crown Settlement Account" held by the Crown with the Reserve Bank of New Zealand;

Deposit means the deposit by the Trustee with the Crown (acting through NZDMO) of the Guarantee Payment in accordance with the Deposit Terms and, as the context may require, includes the amount thereof (including any accrued but unpaid interest) for the time being outstanding;

Deposit Interest Payment Date means, in relation to an Interest Period, the last day of that Interest Period;

Deposit Interest Rate means for each Interest Period, the floating rate per annum equal to the Official Cash Rate, as determined from time to time by the Reserve Bank of New Zealand;

Deposit Terms means the terms and conditions of the Deposit set out under paragraph 9;

Enforcement Date means the date on which the Trustee:

- (a) declares the Principal Moneys of, and interest on, the Specified Securities due and payable; and
- (b) directs the Company to pay all Principal Moneys of, and interest on, the Specified Securities to the Trustee, in accordance with clauses 5.1 and 5.2 of the Trust Deed;

Guarantee Payment has the meaning set out in paragraph 5;

Interest Period means, in relation to the Deposit, a period set out in paragraph 9.3;

NZDMO means the New Zealand Debt Management Office of The Treasury;

Paying Agent's Account means the account entitled "Trustees Executors Limited as Trustee for South Canterbury Finance Limited" at Bank of New Zealand, Newmarket Branch, Auckland, account number 02-0192-0117771-00;

Specified Securities means all Securities as at the Enforcement Date, other than all Securities held by the Crown;

Surplus means the amount (as determined by the Crown and the Trustee acting reasonably) of the Deposit standing to the credit of the Trustee Account after withdrawal and payment of the amounts referred to in paragraphs 9.7(a) and (b);

Trust Deed means debenture trust deed dated 12 April 1976, amended by the amending and supplemental trust deed dated 30 June 1995 (as subsequently amended from time to time), signed or acceded to by the Charging Group Members (including South Canterbury Finance Limited);

Trustee means Trustees Executors Limited, as trustee for Depositors and Stockholders under the Trust Deed;

Trustee Account has the meaning set out in paragraph 8;

Withdrawal means a payment to, or for the account of, the Trustee of all or part of the Deposit;

Withdrawal Date means the date on which a Withdrawal is made to, or for the account of, the Trustee; and

Withdrawal Request has the meaning set out in paragraph 9.5.

2. Condition

Each party's rights and obligations under this document are conditional upon, and subject to, the Crown executing the notice of nomination to nominate the Trustee as a "Nominated Beneficiary" and as a "Creditor" for the purposes of each Crown Guarantee in respect of Securities issued by South Canterbury Finance Limited.

3. **Announcements**

Each party agrees that it will consult with the other party on public announcements regarding the Nomination, payment of the Guarantee Payment and other matters addressed by this document, and provide the other party with the opportunity (reasonable in the circumstances) to review and comment on a draft copy of any proposed public announcement before it is made. The Trustee acknowledges that this paragraph does not apply to any statement made by or on behalf of any Minister of the Crown or Member of the House of Representatives.

4. **Claim**

4.1 **Declaration**

The Trustee declares that:

- (a) it has directed the Company to pay all Principal Moneys of, and interest on, the Specified Securities, in each case, as at the Enforcement Date, to the Trustee, in accordance with clauses 5.1 and 5.2 of the Trust Deed;
- (b) it is owed all Principal Moneys of, and interest on, the Specified Securities;
- (c) the Principal Moneys of, and interest on, the Specified Securities are due and payable; and
- (d) the Company has failed to pay the Principal Moneys of, and interest on, the Specified Securities.

4.2 **Trustee's claim**

On the basis of paragraph 4.1, the Trustee makes claim on the Crown under the Crown Guarantees for payment of the Principal Moneys of, and interest on, the Specified Securities. This paragraph 4.2 constitutes notice of claim under each of the Crown Guarantees.

5. **Payment instructions**

The Trustee irrevocably and unconditionally authorises and instructs the Crown to pay the sum of N.Z. \$1,800,000,000 (one billion, eight hundred million New Zealand dollars) (the **Guarantee Payment**) for and on the Trustee's behalf to the Trustee Account.

6. **Payment acknowledgement**

The Trustee acknowledges and confirms that payment by the Crown of the Guarantee Payment under and in accordance with paragraph 5 above satisfies in full:

- (a) the Crown's obligations under the Crown Guarantees; and
- (b) the Company's obligations under the Trust Deed (including, without limitation, the Company's obligations to pay interest),

in respect of the Specified Securities.

7. **Register**

Following payment of the Guarantee Payment under paragraph 5, the Trustee will direct the Company to amend the Register to record that the Specified Securities are no longer outstanding.

8. Account opening request

The Trustee requests and authorises the Crown to establish a sub-account in the Crown Settlement Account, in the name of "Trustees Executors Limited as Trustee for Depositors and Stockholders under the Trust Deed dated 12 April 1976 (as amended) between Trustees Executors Limited and South Canterbury Finance Limited" (the **Trustee Account**). The Trustee agrees and acknowledges that the Trustee Account will be operated in accordance with the Deposit Terms set out in this document.

9. Deposit Terms

9.1 Purpose

The Trustee must utilise the balance of the Deposit standing to the credit of the Trustee Account at any time, solely for the purpose of repaying all the Principal Moneys of, and interest on, the Specified Securities as at the Enforcement Date, in accordance with the terms of the Trust Deed. The Crown is not bound to monitor or verify the application of the Deposit.

9.2 Interest on the Deposit

NZDMO will pay interest on the Deposit, in respect of each Interest Period, at the Deposit Interest Rate. Interest in respect of each Interest Period will be calculated on the Deposit on the basis of the actual number of days elapsed and a 365-day year, will accrue from day to day and must, subject as otherwise provided in this document, be paid in arrears on the Deposit Interest Payment Date applicable to that Interest Period. The calculation by NZDMO of interest payable on the Deposit will be conclusive in the absence of manifest error.

9.3 Deposit Interest Payments

Each Interest Period in relation to the Deposit will be for a period of four weeks and:

- (a) in respect of the first interest payment, commence on (and including) the date the Deposit is made;
- (b) an Interest Period which would otherwise end on a day which is not a Business Day will be extended to the next succeeding Business Day; and
- (c) no Interest Period will extend beyond the final Withdrawal Date.

9.4 Interest capitalisation

On each Deposit Interest Payment Date, interest accrued and unpaid on that date will be capitalised and added to the Deposit and will itself bear interest at the Deposit Interest Rate.

9.5 Withdrawal Requests

The Trustee may from time to time request in writing signed by any two duly authorised signatories that the Deposit be withdrawn in part or in full (but if in part, in a minimum amount of N.Z. \$1,000,000 (one million New Zealand dollars) or

such other lower amount that the Crown agrees), which payment is to be made to the Paying Agent's Account (or, as the Trustee otherwise directs with the prior written approval of the Crown). Any such request must be made in writing to NZDMO not later than 9:30 a.m. on the day falling one Business Day before the proposed Withdrawal Date (a **Withdrawal Request**). The Trustee will specify in each Withdrawal Request the amount of the Withdrawal and the Withdrawal Date.

9.6 **Payment of Withdrawal**

Subject to satisfaction of the conditions specified below, NZDMO will pay the Withdrawal to, or to the order of, the Trustee on the Withdrawal Date. The obligation of NZDMO to pay a Withdrawal is conditional upon:

- (a) the amount of the Withdrawal specified in the Withdrawal Request not exceeding the Deposit;
- (b) the Withdrawal being made to the credit of the Paying Agent's Account or such other account as the Trustee may direct with the prior written approval of the Crown;
- (c) (in order to assist the Crown to determine the quantum of the Surplus) the Crown receiving from the Trustee (or the Trustee's agent), not less than two Business Days prior to the requested Withdrawal Date, the following information in respect of each class of Specified Securities whose holders will be repaid from that particular Withdrawal:
 - (i) how the Principal Moneys of each class of Specified Securities has been calculated;
 - (ii) how the interest on each class of Specified Securities has been calculated up until the date the Crown paid the Guarantee Payment to the Trustee;
 - (iii) how the interest on each class of Specified Securities has been calculated from the date the Crown paid the Guarantee Payment to the Trustee until the date that class of Specified Securities will be repaid by the Trustee; and
 - (iv) how any tax on the interest earned by each class of Specified Securities has been calculated; and
- (d) the Crown has provided to the Trustee (and the Trustee's paying agent) any corrections with respect to any of the calculations described in paragraph (c) above of which it becomes aware, or has confirmed in writing that it is not aware of any corrections that need to be made.

As soon as reasonably practicable following a Withdrawal:

- (e) NZDMO will give the Trustee written notice of the balance of the Deposit; and
- (f) the Trustee will give, or procure its paying agent to give, the Crown a written report setting out details of the payments made from the proceeds of the Withdrawal.

9.7 **Balance of the Deposit**

- (a) The Trustee will give written notice to NZDMO within 10 working days of the date on which all Principal Moneys of, and interest on, the Specified

Securities as at the Enforcement Date have been fully repaid or provision for payment has been made in accordance with the terms of the Trust Deed.

- (b) The amount of the Deposit standing to the credit of the Trustee Account equal to interest accrued and unpaid under paragraph 9.2 plus interest previously capitalised under paragraph 9.4 will constitute an amount payable *pro rata* to holders of Specified Securities.
- (c) The Surplus will be remitted to the Crown by NZDMO without further direction from the Trustee in discharge in full of the Trustee's obligations under paragraph 13.

10. **Paying agent**

The Trustee confirms that it will:

- (a) as soon as reasonably practicable, appoint Computershare Investor Services Limited as its agent for effecting the payment of Principal Moneys of, and interest on, Specified Securities to the relevant Holder as at the Enforcement Date; and
- (b) ensure that the fees payable to Computershare Investor Services Limited for acting as paying agent for the Trustee will be no more than the amount agreed to by the Crown by written notice to the Trustee.

11. **No assignment**

Neither the Trustee nor the Crown may assign or transfer any of their respective rights and obligations under this document without the prior written consent of the other.

12. **Writing**

12.1 **Notice in writing**

Each notice or other communication to be given or made to any party to this document will:

- (a) be given or made in writing by facsimile or letter and be signed by the sender or an authorised officer of the sender;
- (b) be given or made to that party at the address or facsimile number, and marked for the attention of the person (if any), from time to time designated by that party to the other for the purposes of this document;
- (c) not be effective until received by that party, and any such notice or communication will be deemed to be received by that party:
 - (i) (if given or made by letter) when left at the address of that party or three Business Days after being put in the post, postage prepaid, and addressed to that party at that address; or
 - (ii) (if given or made by facsimile) on production of a transmission report by the machine from which the facsimile was sent which indicates that the facsimile was sent in its entirety to the facsimile number of the recipient,

provided that any notice or communication received or deemed received after 5:00 p.m. on a Business Day or on a day which is not a Business Day will be deemed not to have been received until 9:00 a.m. on the next Business Day in that place.

12.2 Electronic communication

- (a) Any communication to be made between the Crown and the Trustee under or in connection with this document that is required by paragraph 12.1 to be in writing may be made by electronic email or other electronic means, if:
 - (i) neither the Crown nor the Trustee has notified the other that electronic email or other electronic communication is no longer an accepted form of communication in relation to this document; and
 - (ii) the Crown and the Trustee:
 - (aa) notify each other in writing of their electronic mail addresses and/or any other information required to enable the sending and receipt of information by that means; and
 - (bb) notify each other of any change to their address or any other such information supplied by them.
- (b) Any electronic communication made between the Crown and the Trustee will be effective only when actually received in readable form, provided that any notice or communication received or deemed received after 5:00 p.m. on a Business Day or on a day which is not a Business Day will be deemed not to have been received until 9:00 a.m. on the next Business Day.

13. Bare trust

13.1 Acknowledgement of trust

- (a) Except as provided in paragraph (b), the Trustee acknowledges and declares that at all times:
 - (i) the Deposit and interest thereon is held by the Trustee for the benefit of itself as trustee for the holders of Specified Securities; and
 - (ii) it holds or will hold the Deposit and interest thereon as bare trustee for itself in that capacity.
- (b) The Trustee acknowledges and declares that following the withdrawal and payment of the amounts referred to in paragraphs 9.7(a) and 9.7(b):
 - (i) the Crown is the beneficial owner of any Surplus; and
 - (ii) it holds or will hold any Surplus as bare trustee for the Crown.

13.2 Actions as bare trustee

The Trustee agrees that, as the Crown's bare trustee, it will:

- (a) hold any Surplus in trust for the Crown;
- (b) whenever directed upon by the Crown, transfer any Surplus to the Crown or the Crown's nominee(s);

- (c) deal with any Surplus and all rights and obligations associated with any Surplus as directed by the Crown; and
- (d) account to the Crown for all profits and benefits derived or derivable from the holding of any Surplus.

14. Unclaimed payments

If any payment made to any person who was a Stockholder or Depositor on the Enforcement Date at that person's last address entered on the Register on the Enforcement Date is returned unclaimed for 30 days, that payment may (unless notice of a change of address has in the meantime been received by the Company or the Trustee) be retained by the Trustee to be held for that person without liability to invest that amount or pay interest on it. Any such amount unclaimed after six years from the date the payment was first made to that person will be automatically forfeited to the Crown for its benefit.

15. Acknowledgement and indemnity

The Crown acknowledges that:

- (a) the obligations of the Trustee under this document are strictly limited to its express terms and that no obligation to monitor shall be implied from this document, to act, monitor, report, or otherwise exist;
- (b) the Crown has satisfied itself as to the adequacy of the provisions of this document and the processes contemplated by it;
- (c) the Crown has not relied upon the Trustee or its advisors in agreeing to enter into and perform its obligations under this document; and
- (d) the Trustee has no liability to the Crown for the actions of any other person referred to under this document, and as long as the Trustee complies with its obligations under this document and there is no negligence, fraud or wilful default on its part, the Trustee has no liability to the Crown under this document. Furthermore, in the event that the Trustee incurs a liability to a holder of Specified Securities as at the Enforcement Date or expense that is properly attributable to the discharge of the Trustee's obligations under this document and such liability or expenses are not covered by the indemnity under the Trust Deed, or otherwise that indemnity is not available to cover any such liability or expense under the Trust Deed (except, in either case, arising out of a wilful or grossly negligent default by the Trustee), the Crown will indemnify and hold harmless the Trustee from any such liability or expense.

16. Initial address and numbers

The initial address, telephone number or facsimile number and person (if any) so designated by each party, are set out below:

The Trustee

Level 5, Customhouse Quay
Wellington

Telephone no.:

Facsimile no.:

Email:

Attention:

Crown

Her Majesty the Queen in right of New Zealand
C/- New Zealand Debt Management Office
The Treasury
1 The Terrace
Wellington

Telephone no.:
Facsimile no.: 04 472 3792
Attention: Treasurer
C/- Head of Accounting and Transactional Services
New Zealand Debt Management Office

17. Counterparts

This document may be executed in any number of counterparts. This has the same effect as if the signature on the counterparts were on a single copy of this document.

This document is governed by New Zealand law.

This document is executed and delivered as a deed.

Yours sincerely

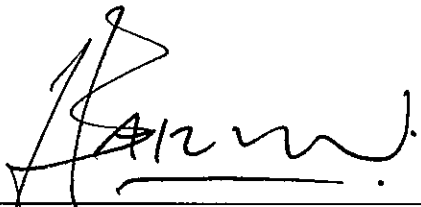
Trustees Executors Limited
By:



C TS 2010 - 086 (1/2)

Agreed and accepted by:

Her Majesty the Queen in right of
New Zealand acting by and through
Gabriel Makhlouf, Deputy Chief
Executive acting under delegation
from the Secretary to the Treasury for
and on behalf of the Minister of Finance
in the presence of:



Gabriel Makhlouf, Deputy Chief Executive
ACTING SECRETARY TO THE
TREASURY



Witness' name:

Andre Anderson
Witness' occupation:

Solicitor
Witness' address:

Wellington

Date: 31 August 2010

Her Majesty the Queen in right of
New Zealand acting by and through
John Park, Manager – Guarantee
Scheme as borrowing agent appointed
by the Minister of Finance.



John Park, Manager – Guarantee Scheme

in the presence of:



Witness' name:

Andre Anderson
Witness' occupation:

Solicitor
Witness' address:

Wellington

Date: 31 August 2010